

**REPORT OF THE AUDIT OF THE
NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary, Finance and Administration Cabinet
Gene Wilhoit, Commissioner, Department of Education
Robert S. Sherman, Director, Legislative Research Commission
Bernard Sandfoss, Executive Director,
Northern Kentucky Cooperative for Educational Services, Inc.
Members of the Northern Kentucky Cooperative for Educational Services, Inc.

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the financial statements of the Northern Kentucky Cooperative for Educational Services, Inc., Highland Heights, Kentucky, as of June 30, 2003.

We engaged Carpenter, Mountjoy & Bressler, PSC to perform the financial audit of this educational cooperative. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC evaluated the Northern Kentucky Cooperative for Educational Services, Inc.'s internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long, sweeping horizontal line extending to the right.

Crit Luallen
Auditor of Public Accounts

Enclosure



Financial Statements

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

June 30, 2003

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

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Carpenter, Mountjoy & Bressler

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northern Kentucky Cooperative for
Educational Services, Inc.
Highland Heights, Kentucky

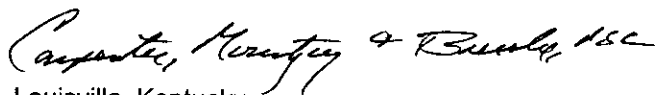
We have audited the accompanying statement of financial position of the Northern Kentucky Cooperative for Educational Services, Inc. (A nonprofit organization) as of June 30, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northern Kentucky Cooperative for Education Services, Inc. as of June 30, 2003, and the changes in its net assets and cash flows for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with Government Auditing Standards, we have also issued our report dated December 26, 2003, on our consideration of Northern Kentucky Cooperative for Educational Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statement of Northern Kentucky. Taken as a whole, the accompanying supplementary information shown on pages 11 through 16 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 17 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Louisville, Kentucky
December 26, 2003

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**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

STATEMENT OF FINANCIAL POSITION

June 30, 2003

ASSETS

Current Assets:

Cash and cash equivalents	\$ 212,705
Grant funds receivable	58,320
Accounts receivable	65,785
Property and equipment, net	<u>701,213</u>
Total assets	<u>\$ 1,038,023</u>

LIABILITIES

Accounts payable	\$ 16,749
Bonds Payable	400,000

Net Assets

Unrestricted	<u>621,274</u>
Total liabilities and net assets	<u>\$ 1,038,023</u>

See accompanying independent auditor's report
and notes to financial statements

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

STATEMENT OF ACTIVITIES

Year ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Slots/Tuition	\$ 1,085,008	\$ -	\$ 1,085,008
Miscellaneous	730,182	-	730,182
State Grants	-	586,832	586,832
Federal Grants	-	624,622	624,622
SEEK Funds/ADA	378,250	-	378,250
Refunds/Indirect Costs	551,344	-	551,344
Membership Dues	141,475	-	141,475
Interest Income	60,053	-	60,053
Net Assets Released From Restrictions			
Satisfaction Of Purpose Restrictions	<u>1,211,454</u>	<u>(1,211,454)</u>	<u>-</u>
Total Support And Revenue	4,157,766	-	4,157,766
Expenditures			
Personnel Services - Certified	1,227,310	-	1,227,310
Other Professional Services	791,859	-	791,859
Classified Personnel	786,019	-	786,019
General Supplies	186,888	-	186,888
Indirect Costs	186,228	-	186,228
Educational Contract Services	98,948	-	98,948
Coop Director	76,440	-	76,440
County Retirement	58,900	-	58,900
FICA Tax	53,647	-	53,647
Travel	47,368	-	47,368
Flex Manager	37,321	-	37,321
Bookkeeper	34,477	-	34,477
Printing	33,030	-	33,030
Flex Assistant	30,141	-	30,141
Administrative Assistant	28,826	-	28,826
Medicare Tax	28,620	-	28,620
Computers	26,254	-	26,254
Teacher Retirement	23,514	-	23,514
Secretary-General	28,387	-	28,387
Repairs And Maintenance	22,217	-	22,217
Health Insurance	17,549	-	17,549
Tuition	16,255	-	16,255
Books/Periodicals	16,373	-	16,373
Postage	13,442	-	13,442
Educational Services	12,000	-	12,000
Telephone	12,788	-	12,788
Dues And Fees	9,418	-	9,418
Workers Compensation	8,658	-	8,658
Technical/Computer Services	8,408	-	8,408

Continued

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

STATEMENT OF ACTIVITIES--CONTINUED

Year Ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Audit	\$ 7,225	\$ -	\$ 7,225
Advertising	5,313	-	5,313
Insurance	5,236	-	5,236
Unemployment	5,094	-	5,094
Other Instructional Equipment	2,749	-	2,749
Miscellaneous	3,448	-	3,448
Furniture	1,524	-	1,524
Equipment-Restricted	1,500	-	1,500
Depreciation	1,213	-	1,213
Life Insurance	137	-	137
Accounting Assistant	-	-	-
Substitute Teachers	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	3,954,724	-	3,954,724
Change In Net Assets	203,042	-	203,042
Net Assets, Beginning Of Year	<u>418,232</u>	<u>-</u>	<u>418,232</u>
Net Assets, End Of Year	<u>\$ 621,274</u>	<u>\$ -</u>	<u>\$ 621,274</u>

See accompanying independent auditor's report
and notes to financial statements

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

STATEMENT OF CASH FLOWS

Year ended June 30, 2003

Cash Flows Provided By Operating Activities

Change In Net Assets	\$ 203,042
Adjustments To Reconcile Change In Net Assets To Net	
Cash Provided By Operating Activities:	
Depreciation	1,213
Increase In Grant Funds Receivable	6,120
Decrease In Accounts Receivable	(65,136)
Decrease In Accounts Payable	16,054
Decrease In Deferred Revenue	<u>-</u>

Net Cash Provided By Operating Activities 161,293

Cash Flows Used By Investing Activities

Acquisition of property (700,000)

Cash Flows Provided By Financing Activities

Proceeds From Issuance Of Bonds 400,000

Net Decrease In Cash (138,707)

Cash And Cash Equivalents, Beginning Of Year 351,412

Cash And Cash Equivalents, End Of Year \$ 212,705

See accompanying independent auditor's report
and notes to financial statements

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northern Kentucky Cooperative for Educational Services, Inc. (the Cooperative) is a nonprofit corporation established to coordinate and administer federal programs for participating Kentucky local school districts; to provide centralized purchasing benefits to the districts; to respond to identified needs of handicapped children served by local education agencies; and to provide for the delivery of special education services by joint agreement with the local education agencies.

Funds to operate the Cooperative are obtained primarily from grant awards from the Kentucky Department of Education and through membership dues paid by local educational districts. Funding for the Cooperative's programs is also provided under the Individuals with Disabilities Education Act, Part B, Discretionary Grant Program and the Perkins Vocational and Model School Grant.

All grants are restricted, and may be used only for purposes specified by the grantor. Each grantor requires separate reporting of support and expenditures and changes in net assets applicable to its funding.

The Cooperative also restricts the use of grants received from state and local sources. These grants are listed also as temporarily restricted until restrictions have been satisfied and revenues and expenditures are recognized as such.

The Cooperative prepares its financial statements using the accrual method. However, disbursements for equipment are shown as expenditures at the time of purchase, unless expended from the unrestricted assets. These procedures are applied according to grant contract terms, but do differ from accounting principles generally accepted in the United States of America.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The Cooperative records equipment expenditures based on the source of funds utilized to acquire such equipment.

Unrestricted Funds

Equipment is capitalized at cost and depreciation is provided on the straight-line method over the estimated useful lives of the assets. Total equipment in unrestricted funds was not material at June 30, 2003.

Restricted Funds

Equipment is expensed Due to Grantor Requirement that the title to equipment acquired with grantor funds remains with grantor.

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2003

NOTE B--PROGRAM DESCRIPTIONS

THE PHOENIX PROGRAM

The Phoenix Program is a regional program serving the most severe students with emotional and behavior disabilities. This program, like all other cooperative programs, is under the direction of the advisory committee consisting of superintendents and special education directors. Part of the funding is received from the KASAC. (Kentucky Education Consortium of State Agency Children). The funds are based on a formula of the number of eligible children served in the program.

IDEA 6B SPECIAL EDUCATION CONSORTIUM

All sixteen-member districts participate in the Special Education Consortium. The Kentucky Department of Education awards the federal IDEA state-share restricted funds to the Cooperative based upon a grant proposal presented to them in March. This proposal is based on the approval of the Board of Directors. The focus of the budget is on direct services to children. These services include occupational therapy, physical therapy, speech therapy, medical evaluations, tuition and transportation costs. Technical assistance is also included. Districts determine how these funds are to be used to provide for the unmet needs of exceptional children.

FIRST STEPS PROJECT

The First Steps project is totally funded and the Cabinet for Families and Children/Division of Mental Retardation sets the budget. Three staff members are employed through this grant project, which focuses on infants and toddlers with special needs and program monitoring. The project is designed to provide technical assistance and parent support for service providers and families participating in the project.

LEARNING ACADEMY

Eleven districts participate in this regional alternative school program, which is housed in the Newport and Erlanger-Elsmere school districts. The program serves seventy-nine students in grades 4-12 that have problems in the traditional school program and are at-risk for academic failure and dropping out of school. The project has obtained phenomenal success and is recognized across the Commonwealth as an exemplary program. Part of the funding is provided through a grant from the Center for School Safety.

CARL PERKINS CONSORTIUM

Perkins funds were used to improve vocational education programs in the consortium districts. These are districts whose basic allotments are less than \$15,000 and must pool their allocations. Funds are used to purchase equipment, to upgrade curriculum to better align with vocational mandates of KERA; improve and update technology programs and staff development programs provided to implement assessment plans, teaching strategies and developing appropriate Individual Student Vocational Plans.

FLEXIBLE SPENDING ACCOUNTS MANAGEMENT

Employees from fifteen districts plus the Cooperative have an option of participating in the Flexible Spending Accounts program. A Board of Governors consisting of representatives from participating districts oversees the operation of the Flex Plan program. It should also be noted that the Flex Plan falls under the umbrella of all NKCES functions and is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code as a non-profit agency.

Continued

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2003

NOTE B--PROGRAM DESCRIPTIONS--CONTINUED

VOCATIONAL REHABILITATION

The Department of Vocational Rehabilitation contracts with the Northern Kentucky Cooperative for Educational Services to provide vocational assessments to school-aged clients who are eligible for Vocational Rehabilitation services. Referrals are made from the Voc. Rehab. counselors to the Center. Assessment information is provided to the schools, students and counselors.

PROFESSIONAL DEVELOPMENT CONSORTIUM

Nine districts are members of the Professional Development Consortium. The Advisory Committee determines the professional development offerings which are made available in the fall, spring and summer for participating and non-participating districts. Participating districts have established dues formula and session costs for the program.

FAMILY RESOURCE

This memorandum of Agreement is for personnel services through the Kentucky Department of Families and Children. It is for Family and Youth Service Center Consultants who are serving in the Regional Centers.

DISTRICT FLOW THROUGH

The Cooperative coordinates multiple services that individual school districts could not afford to fund individually. This fund is set up to contract with professional agencies and individuals, such as therapists, counselors and psychologists to provide shared professional services to the local school districts. The member districts are billed from the Cooperative office for reimbursements for these shared services.

CHALLENGE PROGRAM

This regional school program serves school age students who have functional mental disabilities with behavior issues. The Challenge Program is located at the Cold Spring location of Northern Kentucky Cooperative for Educational Services. The program currently serves students from four school districts within the Cooperative's region. The intent of the program is to assist school districts by providing self-contained classrooms within an alternative school setting (if the student's IEP warrants such a placement). Participating school districts become active members of the program. Costs, budgets, policies, procedures, transitions, alignment with Kentucky's educational standards and implementation of special education procedures are some of the topics discussed in the committee meetings. The Program is truly a collaborative effort among the participating school districts.

EPSB TITLE II

NKCES provides administrative support for the four FTE personnel and various consultants included in the Higher Education Act (HEA) Title II Teacher Quality Enhancement Act grant. The personnel portion includes administering travel, salaries, and benefits of the FTE personnel as well as the consultants' fees and travel as approved by the Education Professional Standards Board (EPSB). NKCES provides all reports as needed by the EPSB as well as satisfies all reporting requirements of the United States Department of Education (DOE). This service is required because the Commonwealth lacks personnel policy to accommodate temporary personnel funded through federal grants.

Continued

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2003

NOTE B--PROGRAM DESCRIPTIONS--CONTINUED

NATIONAL BOARD FOR TEACHER CERTIFICATION

NKCES is providing a unique support system for National Board Professional Teacher Certification. NKCES has designed a cohort group to help teachers reach this milestone. There are nine Nationally Certified Teachers who serve as mentors and arrangements have been made for recent participants to serve as mentor assistants. A voluntary process established by NBPTS, it is achieved through a rigorous performance-based assessment that takes nearly a year to complete. Through the assessment process, teachers document their subject matter knowledge, provide evidence that they know how to teach their subjects to students most effectively, and demonstrate their ability to manage and measure student learning. Whether candidates achieve or not, an overwhelming majority say it is the most powerful professional development experience they've ever had.

NOTE C--PROPERTY AND EQUIPMENT

The Cooperative acquired a building in June 2003. The building will be depreciation using the straight-line method over a 40-year useful life beginning July 2003. The Cooperative depreciates equipment using the straight-line method over a five-year useful life. Depreciation expense for the current year totaled \$1,213. The balance of property and equipment of the Cooperative is as follows:

Property	\$ 700,000
Equipment	<u>6,066</u>
	706,066
Accumulated depreciation	<u>(4,853)</u>
Net property, plant and equipment	<u>\$ 701,213</u>

NOTE D--LEASE

The Cooperative leases property from Northern Kentucky University. In consideration of the Lease Agreement, the Lessee and Lessor agree that rental for said property will be in lieu of Northern Kentucky University paying annual dues for membership in the Northern Kentucky Cooperative.

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS--CONTINUED

June 30, 2003

NOTE E--BONDED DEBT--OBLIGATION

In June 2003, the Northern Kentucky Cooperative for Educational Services issued bonds totaling \$400,000 and bearing an interest rate of 4.04%. The purpose of this issue was to provide funds for the purchase of a building in Northern Kentucky. The minimum obligations of NKCES at June 30, 2003 for debt services (principal and interest) are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 35,000	\$ 13,845	\$ 48,845
2005	35,000	13,790	48,790
2006	35,000	12,583	47,583
2007	35,000	11,288	46,288
2008	40,000	9,900	49,900
2009	40,000	8,340	48,340
2010	40,000	6,700	46,700
2011	45,000	4,935	49,935
2012	45,000	3,045	48,045
2013	<u>50,000</u>	<u>1,050</u>	<u>51,050</u>
	<u>\$ 400,000</u>	<u>\$ 85,476</u>	<u>\$ 485,476</u>

NOTE F--CONCENTRATIONS OF CREDIT RISK

The Cooperative secured pledges of securities from their financial institution to insure the deposits over FDIC insurance.

NOTE G--RETIREMENT PLANS

Certified employees are covered under the Kentucky Teachers' Retirement System (KTRS). Funding the plan is provided through payroll withholdings of 9.855% and matching state contributions. The matching contributions are paid by the Federal program for any salaries paid by the program.

The Cooperative's total payroll for the year was \$2,248,921. The Cooperative has a contribution requirement to KTRS and CERS of \$82,415 for certified and classified personnel. Benefits under the KTRS and CERS plan will vary based on final compensation, years of service and other factors as fully described in the plan document.

As the board is only one of several employers participating in the plan, it is not practical to determine the board's portion of the unfounded past service cost of the vested benefits of the board's portion of the plan assets.

Classified employees are covered under the County Employers Retirement System (CERS). Funding for the plan is provided through payroll withholdings of 5% and employer contributions of 7.34% of the employee's total compensation subject to contribution.

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SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM

Year Ended June 30, 2003

	<u>Operational</u>	<u>Council of Partners</u>	<u>Learning Academy</u>	<u>Phoenix Program</u>	<u>Flexible Spending</u>	<u>Professional Development</u>
SUPPORT & REVENUE						
Slots/Tuition	\$ -	\$ -	\$ 337,200	\$ 397,800	\$ -	\$ 173,808
Miscellaneous	64,489	38,694	9,879	6,123	-	-
State Grants	-	-	-	76,632	-	110
Federal Grants	-	-	-	-	-	-
SEEK Funds/ADA	-	-	253,824	110,473	-	-
Refunds/Indirect Costs	366,795	-	-	-	136,851	-
Membership Dues	46,124	37,987	-	-	42	18,409
Interest Income	60,053	-	-	-	-	-
Net Assets Released from Restrictions	-	-	-	-	-	-
TOTAL	537,461	76,681	600,903	591,028	136,893	192,327
EXPENDITURES						
Personnel Services-Certified	-	18,717	290,073	293,118	-	-
Classified Personnel	45,431	2,446	207,677	114,279	13,632	2,446
Other Professional Services	41,860	-	1,256	121,024	10,183	53,150
Buildings	-	-	-	-	-	-
Indirect Costs-Restricted	-	-	40,335	40,740	-	-
General Supplies	17,001	4,784	10,298	5,616	7,325	64,779
Educational Contract Services	-	35	4,653	-	-	6,651
Coop Director	58,440	-	-	-	12,000	-
County Retirement	4,159	155	13,167	7,171	4,598	1,954
FICA Tax	4,311	144	11,717	6,223	4,312	1,809
Flex Manager	-	-	-	-	37,321	-
Travel	2,508	1,839	2,472	152	440	8,242
Bookkeeper	16,802	-	-	-	4,605	-
Flex Assistant	7,029	-	-	-	23,112	-
Administrative Assistant	3,900	-	-	-	-	-
Medicare Tax	1,730	34	6,313	5,090	1,153	423
Computers	6,086	2,259	12,969	2,735	1,320	-

Continued

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM--CONTINUED
Year Ended June 30, 2003

	<u>Operational</u>	<u>Council of Partners</u>	<u>Learning Academy</u>	<u>Phoenix Program</u>	<u>Flexible Spending</u>	<u>Professional Development</u>
Teacher Retirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Printing	3,330	499	7,454	2,767	3,349	10,690
Repairs & Maintenance	27	-	299	17,374	1,719	-
Health Insurance	-	-	-	-	-	-
Tuition	-	-	-	-	-	-
Books/Periodicals	35	-	4,096	6,367	466	1,004
Postage	3,293	427	444	134	7,849	476
Educational Services	-	-	-	-	-	-
Telephone	1,904	47	2,718	1,711	376	470
Dues & Fees	1,852	720	-	1,267	-	-
Workers Compensation	6,479	-	-	-	-	-
Audit	3,200	-	-	-	2,525	-
Technical/Computer Services	6,196	-	380	160	330	1,342
Advertising	4,540	-	-	-	-	-
Insurance	4,956	-	-	-	-	-
Unemployment	3,630	-	-	-	231	3
Other Instructional Equipment	-	-	-	-	-	-
Miscellaneous	1,225	-	780	-	-	1,345
Furniture	1,085	-	-	439	-	-
Depreciation	1,213	-	-	-	-	-
Life Insurance	-	-	-	-	-	-
Secretary-General	-	-	-	-	-	28,387
Equipment-Restricted	-	-	-	-	-	1,500
Accounting Assistant	-	-	-	-	-	-
Substitute Teachers	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>252,222</u>	<u>32,106</u>	<u>617,101</u>	<u>626,367</u>	<u>136,846</u>	<u>184,671</u>
Excess (Deficiency) Of Revenue Over Expenditures	<u>\$ 285,239</u>	<u>\$ 44,575</u>	<u>\$ (16,198)</u>	<u>\$ (35,339)</u>	<u>\$ 47</u>	<u>\$ 7,656</u>

Continued

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM--CONTINUED
Year Ended June 30, 2003

	<u>District Flowthrough</u>	<u>Challenge Program</u>	<u>Family Resources</u>	<u>Vocational Rehab</u>	<u>First Steps</u>	<u>Teacher Certification</u>
SUPPORT & REVENUE						
Slots/Tuition	\$ 25,000	\$ 151,200	\$ -	\$ -	\$ -	\$ -
Miscellaneous	610,997	-	-	-	-	-
State Grants	-	-	270,923	62,530	135,597	14,040
Federal Grants	-	-	27,075	-	-	-
SEEK Funds/ADA	-	13,953	-	-	-	-
Refunds/Indirect Costs	47,698	-	-	-	-	-
Membership Dues	38,913	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Net Assets Released From Restrictions	-	-	-	-	-	-
TOTAL	722,608	165,153	297,998	62,530	135,597	14,040
EXPENDITURES						
Personnel Services-Certified	60,430	70,288	213,595	50,620	39,131	-
Classified Personnel	152,855	57,441	46,538	8,801	56,453	-
Other Professional Services	483,265	-	-	-	-	-
Buildings	-	-	-	-	-	-
Indirect Costs-Restricted	44,086	10,064	21,658	3,474	10,044	-
General Supplies	16,127	2,874	5,221	1,535	11,108	237
Educational Contract Services	-	-	-	-	-	14,574
Coop Director	-	-	-	-	-	-
County Retirement	9,691	3,641	2,950	558	3,579	-
FICA Tax	8,814	3,263	2,682	482	3,312	-
Flex Manager	-	-	-	-	-	-
Travel	4,879	-	-	897	7,540	-
Bookkeeper	-	-	-	-	-	-
Flex Assistant	-	-	-	-	-	-
Administrative Assistant	-	-	-	-	-	-
Medicare Tax	2,826	1,659	3,358	774	1,286	-
Computers	-	885	-	-	-	-

Continued

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM--CONTINUED
Year Ended June 30, 2003

	<u>District Flowthrough</u>	<u>Challenge Program</u>	<u>Family Resources</u>	<u>Vocational Rehab</u>	<u>First Steps</u>	<u>Teacher Certification</u>
Teacher Retirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Printing	-	278	-	1,429	253	-
Repairs & Maintenance	-	2,783	-	15	-	-
Health Insurance	-	-	-	-	-	-
Tuition	-	-	-	-	-	-
Books/Periodicals	-	5	-	-	-	-
Postage	-	4	-	128	23	-
Educational Services	-	-	-	-	-	-
Telephone	-	917	-	880	2,261	-
Dues & Fees	170	-	-	-	-	-
Workers Compensation	-	-	1,077	-	366	-
Audit	-	-	-	-	-	-
Technical/Computer Services	-	-	-	-	-	-
Advertising	-	252	-	-	-	-
Insurance	-	-	-	-	-	-
Unemployment	-	-	420	-	241	-
Other Instructional Equipment	-	-	-	-	-	-
Miscellaneous	98	-	-	-	-	-
Furniture	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Life Insurance	-	-	-	-	-	-
Secretary-General	-	-	-	-	-	-
Equipment-Restricted	-	-	-	-	-	-
Accounting Assistant	-	-	-	-	-	-
Substitute Teachers	-	-	-	-	-	-
TOTAL EXPENDITURES	783,241	154,354	297,499	69,593	135,597	14,811
Excess (Deficiency) Of Revenue Over Expenditures	\$ (60,633)	\$ 10,799	\$ 499	\$ (7,063)	\$ -	\$ (771)

Continued

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM--CONTINUED
Year Ended June 30, 2003

SUPPORT & REVENUE	<u>Challenge Idea 6B</u>	<u>Carl Perkins</u>	<u>EPSB Title II Grant</u>	<u>Council Needs Assessments</u>	<u>Total</u>
Slots/Tuition	\$ -	\$ -	\$ -	\$ -	\$ 1,085,008
Miscellaneous	-	-	-	-	730,182
State Grants	-	-	-	27,000	586,832
Federal Grants	404,162	301	193,084	-	624,622
SEEK Funds/ADA	-	-	-	-	378,250
Refunds/Indirect Costs	-	-	-	-	551,344
Membership Dues	-	-	-	-	141,475
Interest Income	-	-	-	-	60,053
Net Assets Released From Restrictions	-	-	-	-	-
TOTAL	404,162	301	193,084	27,000	4,157,766
EXPENDITURES					
Personnel Services-Certified	90,838	-	94,250	6,250	1,227,310
Classified Personnel	38,930	-	37,500	1,590	786,019
Other Professional Services	69,886	-	4,000	7,235	791,859
Buildings	-	-	-	-	-
Indirect Costs-Restricted	-	1,525	14,302	-	186,228
General Supplies	15,301	24,537	-	145	186,888
Educational Contract Services	62,035	11,000	-	-	98,948
Coop Director	6,000	-	-	-	76,440
County Retirement	4,899	-	2,378	-	58,900
FICA Tax	4,369	-	2,209	-	53,647
Flex Manager	-	-	-	-	37,321
Travel	9,422	788	8,189	-	47,368
Bookkeeper	13,070	-	-	-	34,477
Flex Assistant	-	-	-	-	30,141
Administrative Assistant	24,926	-	-	-	28,826
Medicare Tax	2,300	-	1,674	-	28,620
Computers	-	-	-	-	26,254
Teacher Retirement	11,916	-	11,598	-	23,514

Continued

NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM--CONTINUED
Year Ended June 30, 2003

	Challenge Idea 6B	Carl Perkins	EPSB Title II Grant	Council Needs Assessments	Total
Printing	\$ 2,981	\$ -	\$ -	\$ -	\$ 33,030
Repairs & Maintenance	-	-	-	-	22,217
Health Insurance	12,912	-	4,637	-	17,549
Tuition	16,255	-	-	-	16,255
Books/Periodicals	4,400	-	-	-	16,373
Postage	664	-	-	-	13,442
Educational Services	-	-	12,000	-	12,000
Telephone	1,504	-	-	-	12,788
Dues & Fees	5,409	-	-	-	9,418
Workers Compensation	736	-	-	-	8,658
Audit	1,500	-	-	-	7,225
Technical/Computer Services	-	-	-	-	8,408
Advertising	521	-	-	-	5,313
Insurance	208	-	72	-	5,236
Unemployment	329	-	240	-	5,094
Other Instructional Equipment	2,749	-	-	-	2,749
Miscellaneous	-	-	-	-	3,448
Furniture	-	-	-	-	1,524
Depreciation	-	-	-	-	1,213
Life Insurance	102	-	35	-	137
Secretary-General	-	-	-	-	28,387
Equipment-Restricted	-	-	-	-	1,500
Accounting Assistant	-	-	-	-	-
Substitute Teachers	-	-	-	-	-
TOTAL EXPENDITURES	<u>404,162</u>	<u>37,850</u>	<u>193,084</u>	<u>15,220</u>	<u>3,954,724</u>
Excess (Deficiency) Of Revenue Over Expenditures	<u>\$ -</u>	<u>\$ (37,549)</u>	<u>\$ -</u>	<u>\$ 11,780</u>	<u>\$ 203,042</u>

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2003

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA No.</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Carl Perkins	84.048	0462-02-32	\$ 35,228
IDEA – Basic Special Education	*84.027	0581-01-04	<u>390,380</u>
Total Expenditures of Federal Awards			<u>\$ 425,608</u>

*Denotes major program

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2003

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Northern Kentucky Cooperative for Educational Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Carpenter, Mountjoy & Bressler

Certified Public Accountants and Advisors

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Northern Kentucky Cooperative for Educational Services, Inc.

We have audited the financial statements of Northern Kentucky Cooperative for Educational Services, Inc. as of and for the year ended June 30, 2003, and have issued our report thereon dated December 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Northern Kentucky Cooperative for Educational Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northern Kentucky Cooperative for Educational Services, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Board of Northern Kentucky Cooperative for Educational Services, Inc., management, and Federal Awarding Agencies and Pass-through Entities and is not intended to be and should not be used by anyone other than these specific parties. However, these reports are a matter of public record and their distribution is unlimited.

Carpenter, Mountjoy & Bressler, PSC

Louisville, Kentucky
December 26, 2003



Certified Public Accountants and Advisors

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-
133**

To the Board of Directors
Northern Kentucky Cooperative for Educational Services, Inc.

Compliance

We have audited the compliance of Northern Kentucky Cooperative for Educational Services, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. Northern Kentucky Cooperative for Educational Services, Inc.'s major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Northern Kentucky Cooperative for Educational Services, Inc.'s management. Our responsibility is to express an opinion on Northern Kentucky Cooperative for Educational Services, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northern Kentucky Cooperative for Educational Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northern Kentucky Cooperative for Educational Services, Inc.'s compliance with those requirements.

In our opinion, Northern Kentucky Cooperative for Educational Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Northern Kentucky Cooperative for Educational Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northern Kentucky Cooperative for Educational Services, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Board of Northern Kentucky Cooperative for Educational Services, Inc., management, and Federal Awarding Agencies and Pass-Through Entities and is not intended to be and should not be used by anyone other than these specific parties. However, these reports are a matter of public record and their distribution is unlimited.

Carpenter, Murphy + Brennan, PSC

Louisville, Kentucky
December 26, 2003

**NORTHERN KENTUCKY COOPERATIVE
FOR EDUCATIONAL SERVICES, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2003

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major program:

Unqualified

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

84.027

IDEA BASIC SPECIAL EDUCATION

Dollar threshold used to distinguish
Between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

Section II-Financial Statement Audit Findings

No matters were reported.

Section III- Major Federal Award Program Audit Findings and Questioned Costs

No matters were reported.

